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C O N F I D E N T I A L SECTION 01 OF 02 MINSK 001075

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DEPT PLS PASS TO DEPT OF AGRICULTURE

MOSCOW FOR FAS

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TAGS: [EAGR](#) [PGOV](#) [ECON](#) [BO](#)

SUBJECT: "Privatization Not For Slavs"

Classified by Charge Constance Phlipot for Reasons 1.4  
(B,D)

Refs: A) Minsk 923, B) 04 MINSK 1280

11. (C) Summary: On August 19, Lukashenko opined that Slavs are not mentally ready for privatization and, therefore, private farms have no future in Belarus. According to Lukashenko, the state collective is the best option and must be preserved. The president's statements drew sharp criticism from independent farmers and specialists who blamed the GOB's agriculture policy for the slow development of private agricultural enterprises. Poloff visited two private farmers on August 20 who explained that their biggest problems were government interference and employee laziness; not the farmers' inability to understand privatization. However, despite the obstacles, these private farmers continue to out-perform neighboring state-controlled collectives. End Summary.

12. (U) During a tour of the "Battle for the Harvest" campaign in the Grodno region on August 19 (Ref A), President Lukashenko criticized private land ownership and privatized farms, claiming it had no future in Belarus. Lukashenko opined that the Soviet collective farm system better suited the mentality of Slavic people because Slavs were "psychologically" not ready for privatization. Unlike Russia and Ukraine, Belarus did not "rush to divide and sell" the collective farms, thus saving the country.

13. (U) Agro-economist and academic at the Belarusian National Academy of Sciences Ivan Nikitchenko dismissed Lukashenko's statements, claiming Belarusians were psychologically competent and more than ready to develop private farming. Referring to a survey conducted in the early 1990s, Nikitchenko noted how thousands of Belarusians wanted to become private farmers. According to Nikitchenko, it is the GOB's bad agriculture policy and not the Slavic mentality that hinders the development of private farms.

14. (SBU) On August 20, Poloff visited two privatized farms. Vladimir Chapelle, an agronomist with a degree from Grodno Agriculture University, has owned his 2,500-hectare farm for only four years, but lived and worked on the farm all his life when it was a state collective. Normally, a Belarusian farm this size employs at least 100 people, but Chapelle is managing with 40. When the GOB allows people to acquire farms, it usually

"suggests" to the new owners to retain the farm's original workforce. Much to the authorities' disapproval, Chapelle has been hiring and firing as he chooses. However, the threat of losing a well-paying job (USD 150 per month) has improved Chapelle's workforce efficiency, minimized alcohol abuse, and eradicated theft, which continue to be large problems for both state and private farms.

15. (SBU) Chapelle took Poloff to watch his harvest campaign, which had been delayed due to inclement weather. The previous week's windstorm had lowered Chapelle's barley yield by 200 kg per hectare and his rye fields were still too wet to cut. However, he is still out-performing the region's state farms in productivity and his profitability is 25 percent, which is better than all the regional state farms combined.

16. (SBU) Poloff then visited a newly privatized farm 100 km north of Minsk, owned by Anatoly Artihovsky, a wealthy Minsk businessman and the owner of the country's largest bottling company. Artihovsky, who has no agricultural experience openly told Poloff that the government forced him to purchase the farm or risk losing his private business. He acquired ownership of the farm in 2004. Artihovsky explained that the GOB carefully scrutinizes his bookkeeping to ensure the government receives USD 7 million a year from him in taxes. President Lukashenko's orders to plant and harvest upon request, regardless of the weather, have mentally strained him and his farm managers. While Poloff and Artihovsky were watching a field being harvested, a member of the regional committee arrived to make sure Artihovsky and his employees were not standing idle.

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17. (C) Artihovsky has invested USD 1 million into the farm's infrastructure and workforce. However, much like other Minsk businessmen's farms (Ref B), his farm buildings are still crumbling, his combines and tractors are antiques, employee wages are low and infrequent, and his employees spend most of their time smoking and drinking. Artihovsky said that his biggest problem was that his 100 plus employees, spoiled by the Soviet system of labor, have forgotten how to work. That said, Artihovsky noted that although his farm's profitability is negative 17 percent, it is still much more profitable than the surrounding state farms.

18. (C) Comment: President Lukashenko's disdain for private entrepreneurship is unambiguous. The President's recent statements that Slavs are not ready for private farms also reflect his low expectations of his own people. The owners of the private farms do have the mentality to make agriculture a profitable business, but the government is hindering this sector's development. Chapelle, a trained specialist who knows more about farming than the members of the control committee, can get by with ignoring their recommendations, but talented businessmen like Artihovsky, who have no agricultural experience, must rely on the government's "suggestions," whether bad or good. It is not the Slavs, but the country's leadership that is psychologically unprepared for farm privatization.

PHLIPOT